

MQ'13 & FY 2012-13 Results Presentation – April 29, 2013

LAKMÉ
FASHION
WEEK

AIRCEL

MARCH 22-26, 2013

TINTED NAILS ARE IN.

Sizzle with pastels. Cool is now hot.



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REINVENT

POPTINTS

BY NAMRATA JOSHIPIRA

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Agenda

1

Strategy

2

Business Context

3

Current Quarter Performance

4

Financial Year Performance

5

Looking Ahead

Clear and Compelling Strategy

Strategic framework

THE COMPASS	
WE ARE UNLIVER...	
VISION	<p>WE WISH TO CREATE A BETTER TOMORROW EVERY DAY</p> <p>We are a successful global sustainable business.</p> <p>We help people feel good, look good and get more out of life with brands and services that are good for them and good for others.</p> <p>We will inspire people to take small everyday actions that can add up to a big difference for the world.</p> <p>We will develop new ways of doing business with the aim of doubling the size of our company while reducing our environmental impact.</p>
MISSION STATEMENTS	<p>Our focus on consumers and customers will be a key to success.</p> <p>Our first priority is to our consumers, their customers, employees and communities. When we fulfil our responsibilities to these, our shareholders will be rewarded.</p> <p>We will use a growth-oriented and a positive approach to all our stakeholders, based on clear accountability and high performance.</p>
WHERE WE WILL WIN...	
OPERATIONS	<p>Win share and gross volume in every category and country.</p>
HOW WE WILL WIN...	
Winning with brands and innovation	<ol style="list-style-type: none"> 1. Deliver superior products, design, branding and marketing 2. Engage better, faster innovation 3. Appeal to more consumers across health and price points
Winning in the marketplace	<ol style="list-style-type: none"> 4. Lead market development 5. Win with existing customers 6. Be an exclusive partner
Winning through contribution improvement	<ol style="list-style-type: none"> 7. Lead, regenerate and consume led relations 8. Drive return on brand equity 9. Agile and sensitive organization
Winning with people	<ol style="list-style-type: none"> 10. Organization and structure talent pipeline ready to double our growth ambition 11. Performance culture which rewards our value 12. Savings for operating framework for competitive advantage

Sustainable Living Plan



Goals

Consistent **Growth**

Competitive **Growth**

Profitable **Growth**

Responsible **Growth**

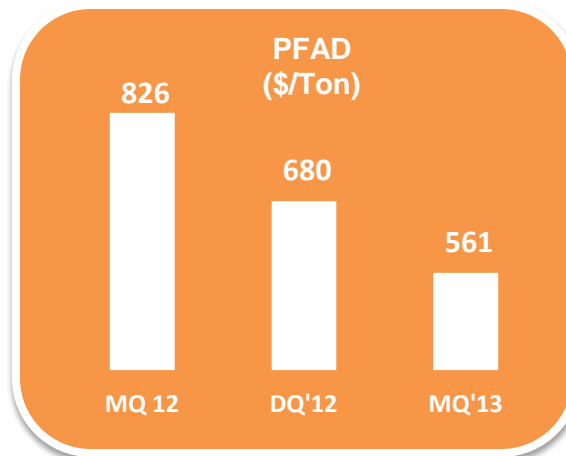
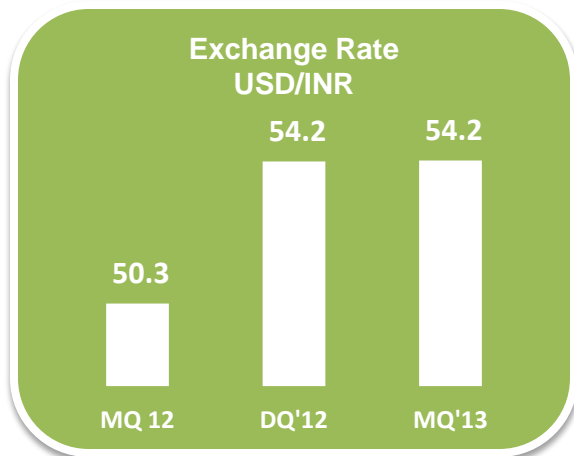
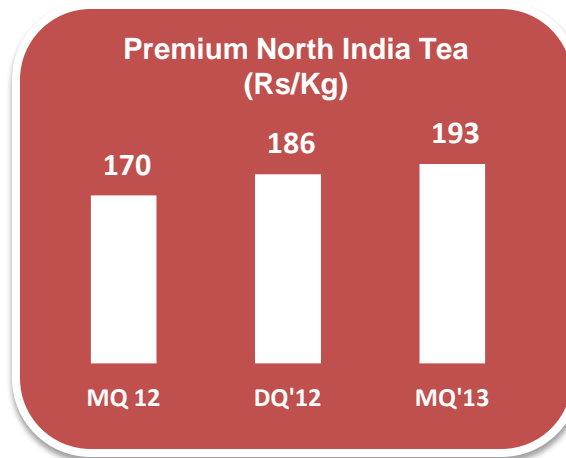
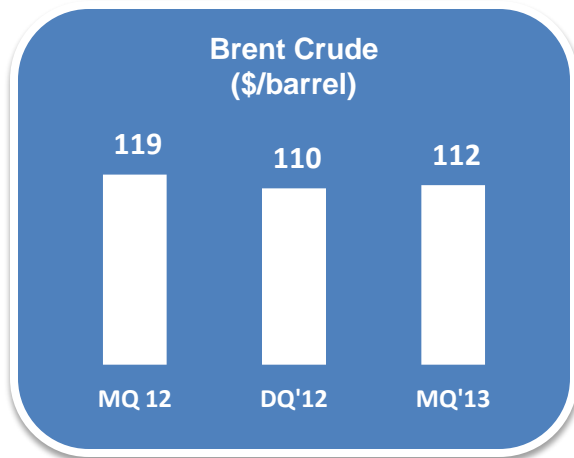
→ **Moderation in volume & value growth across categories**

- Pronounced in MT and discretionary categories
- Price growth in Soaps and Detergents fading

→ **Input costs environment relatively benign**

→ **Overall competitive intensity remains high**

Input costs relatively benign



MQ 2013 - Consistent broad based growth and profit improvement

→ Domestic Consumer business grows by 13%

- 6% Underlying Volume Growth
- Home and Personal Care (HPC) grows by 13% and Food & Beverages (F&B) by 15%

→ Operating Margin (PBIT) expands to 14.3%; up 60 bps

- PBIT at Rs. 910 crores grows at 17%
- COGS down 120 bps
- A&P up Rs. 144 crores (21%); +90 bps at 12.9% of sales

→ PAT (bei) at Rs. 781 crores, up 18%; Net Profit up 15% to Rs. 787 crores

Broad based growth

	Growth % MQ '13
Soaps & Detergents	13
Personal Products	12
Beverages	18
Packaged Foods	7
<hr/>	
Domestic FMCG[^]	13
Domestic Consumer[^]	13

[^] Excludes Other Operational Income

Domestic Consumer business = Domestic FMCG + Water

Winning with Brands

Continued focus on innovations



Axe Apollo



Lux Fresh Splash Deo



Lakme Nourishing Glow Clean – Up: for Salon like Glow



Dove Body wash with nutrium moisture



Pond's White Beauty tan removal scrub



Dove hair therapy Split ends variant



Pepsodent Expert Protection Toothbrushes



Cornetto Pistachio



Paddle Pop Jiggly Jelly

Winning with Brands

Impactful activation at Maha Kumbh 2013



**Lifebuoy
2 million
Roti
reminders**

**Close-up
1 million
human tags**



CATEGORY HIGHLIGHTS

Skin Cleansing

Broad based growth



→ **Volume led double digit growth**

- Dove, Lux & Lifebouy grow double digit volume
- Price deflation in quarter
 - Commodity cost benefit passed on to consumers

→ **Bodywash portfolio strengthened with relaunch of Dove**

Home Care

Double digit growth across formats



→ Laundry – Growth led by premium segment

- Surf & Rin deliver another quarter of double digit volume growth
 - Surf growth buoyed by Easy wash relaunch
 - Rin led by strong performance in the bars portfolio
- Wheel performance improving – actions in progress to step up further

→ Household Care – Robust performance led by Vim

Skin Care

Growth led by premium segment



→ **Significant slowdown in market growth**

→ **Double digit growth in Lakme and Pond's**

- Pond's Age Miracle sustains its strong growth momentum
- Lakme led by Perfect Radiance; innovation received well



→ **Fair & Lovely holds share in a slowing segment**

→ **Facewash portfolio expanded - new differentiated offerings**

- Lakme Clean up for Salon like Glow, Pond's White Beauty tan removal scrub



Hair Care

Volume led double digit growth



→ **Sunsilk, Clinic Plus & Dove bottles grow strongly**

- Clinic Plus relaunch delivering; Sunsilk led by impactful activation
- Dove range further strengthened with a new Split ends variant



→ **TRESemmé well received; continues to gain ground**

→ **Conditioners register another strong quarter**



→ **Initial response on Dove Elixir premium hair oils positive**

Oral Care

Strong growth



- **Broad based growth across portfolio**
 - Both brands grow double digit volumes
- **Growth in Pepsodent and Close-up core step up**
- **Toothbrushes portfolio rationalized; Expert Protection brushes launched**

Beverages

Stepped up growth across portfolio



→ Tea sustains strong growth

- Growth broad based with robust volumes
- All brands grow in double digits driven by impactful activation
- Taaza performs well on the back of a strong marketing mix

→ Coffee maintains its double digit growth momentum

Packaged Foods

Growth led by Kissan and Knorr



→ Kissan grows in double digits with new 'Inspire' campaign

→ Growth further accelerates on Knorr soups portfolio

→ Encouraging response to Soupy Noodles relaunch

→ Kwality Walls registers modest growth – impacted by a market slowdown



- Range of exciting innovations being launched at the onset of season

Pureit

Strengthening leadership



- **Pureit continues to grow in a slowing durables market**
 - Innovations leading growth – recent UV launch well received
- **Building trusted service standards as a differentiator through the ‘Pureit promise’**
- **Initiatives to step up marketplace execution progressing well**

MQ 2013 – Results

Rs Cr

Particulars	MQ'12	MQ'13	Growth %
Net Sales	5,660	6,367	12.5
PBITDA	833	972	16.6
PBIT	776	910	17.3
PBIT margin (%)	13.7	14.3	60 bps
PAT bei	664	781	17.7
Net Profit	687	787	14.7

→ **Strong performance in Domestic Consumer Business**

MQ 2012 - PBIT to Net Profit

Particulars	Rs Cr		
	MQ'12	MQ'13	Growth %
PBIT	776	910	17.3
Add : Other Income	70	106	51.3
Less : Finance Costs	0	6	
Exceptional Items – Credit / (Charge)	28	9	
PBT	874	1020	16.6
Less : Tax	(188)	(232)	23.9
Net Profit	687	787	14.7

- Other income includes interest income, dividend income and net gain on sale of other non trade current investments aggregating to Rs. 106 crs. (MQ'12: Rs. 70 crs.)
- Key exceptional items :
 - Profit on sale of properties Rs. Nil (MQ'12: Rs. 3473 lakhs)
 - Reduction in provision for retirement benefits of Rs. 1039 lakhs (MQ'12: Rs. 578 lakhs provision)
- Effective Tax rate for the quarter is 22.8% (MQ'12: 21.5%)

MQ 2013 – Results Summary

→ Consistent broad based growth and profit improvement

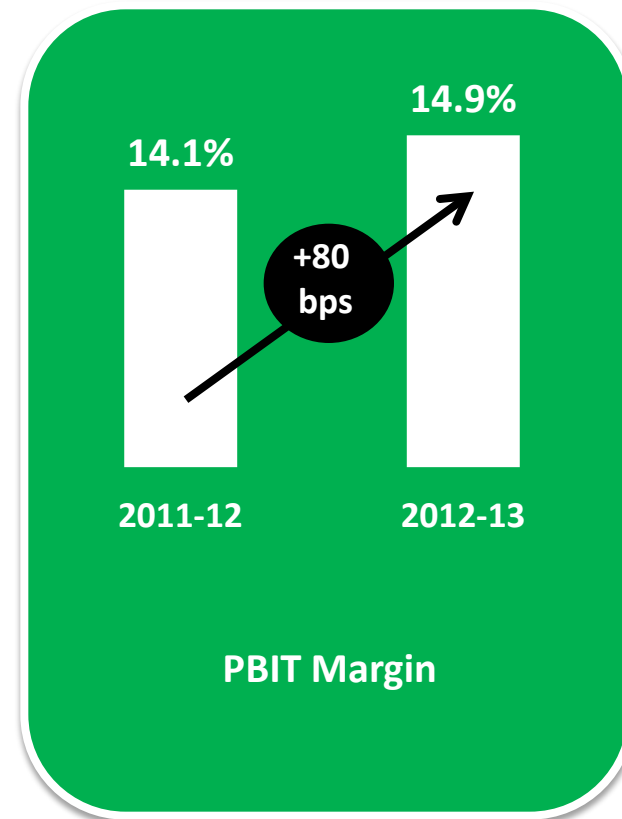
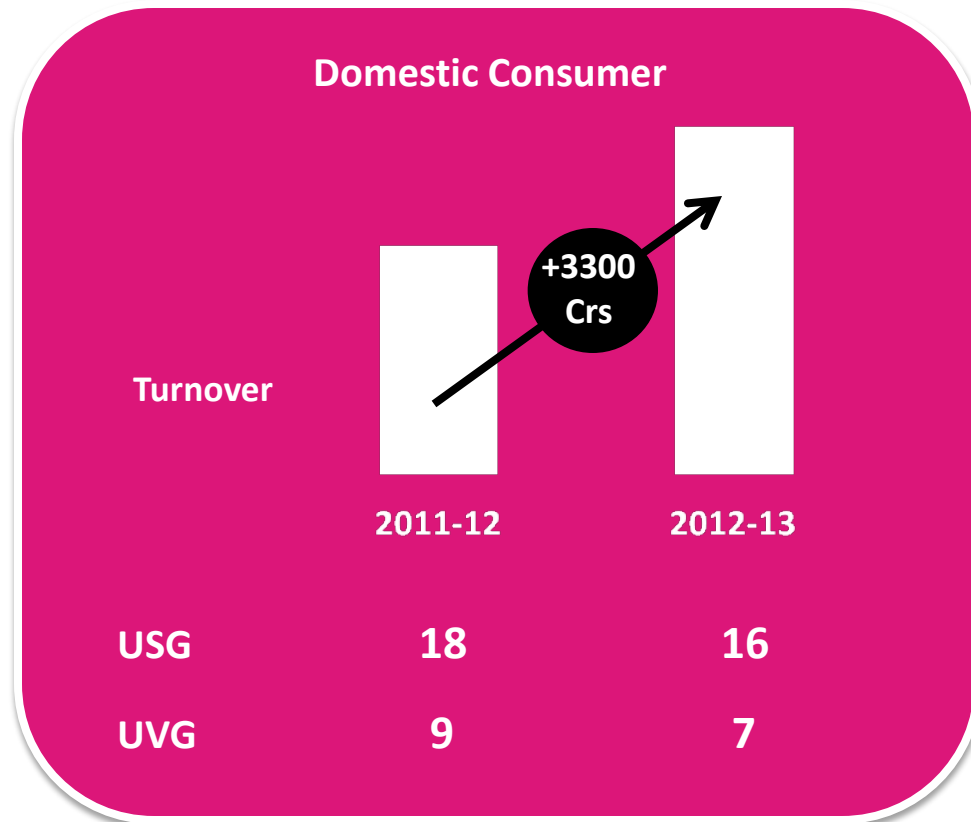
- 13% growth in Domestic Consumer business with 6% UVG
- PBIT up 17%, margin expands +60 bps
- PAT (bei) grows by 18%

**FINANCIAL YEAR ENDING
31ST MARCH 2013**

FY 2012-13: Delivered on goals

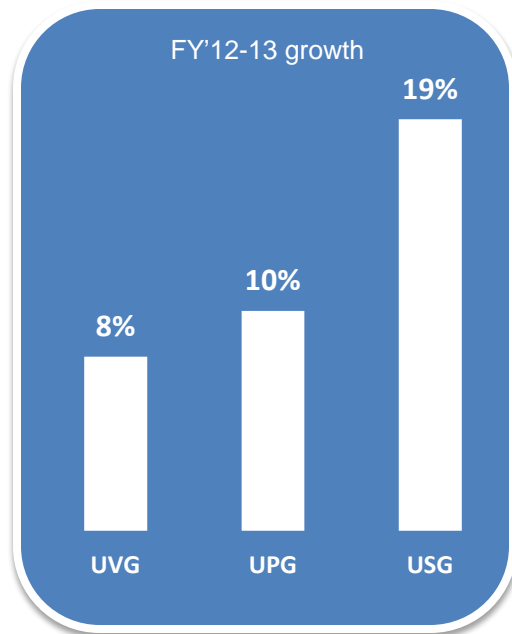
Consistent & Competitive Growth

Profitable Growth



Soaps and Detergents

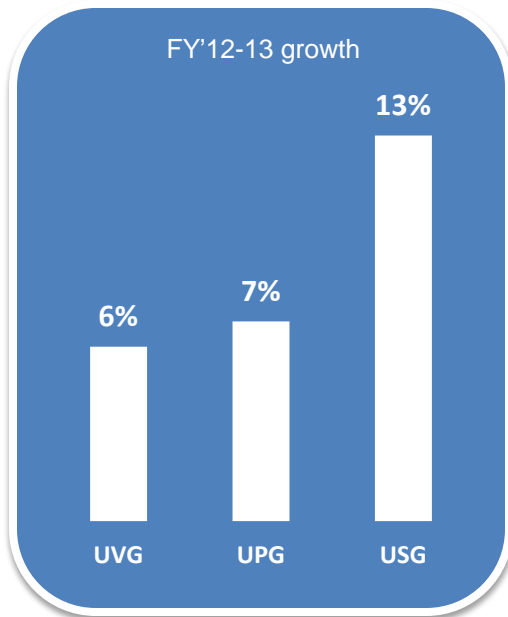
Broad based growth in a competitive market



- **All segments and formats grow in double digits**
- **Growth - mix of strong volumes and inflation led pricing**
 - Price fade in the second half of the year
- **Leading category premiumization**
- **Segmental profit up 31%**

Personal Products

Healthy growth in a challenging environment



→ Double digit growth across Skin, Hair and Oral

- Skin led by the top end; FAL competitive in a slowing segment
- Hair growth broad based across key brands and formats
- Oral growth accelerates across quarters on both brands

→ Focus on market development continues

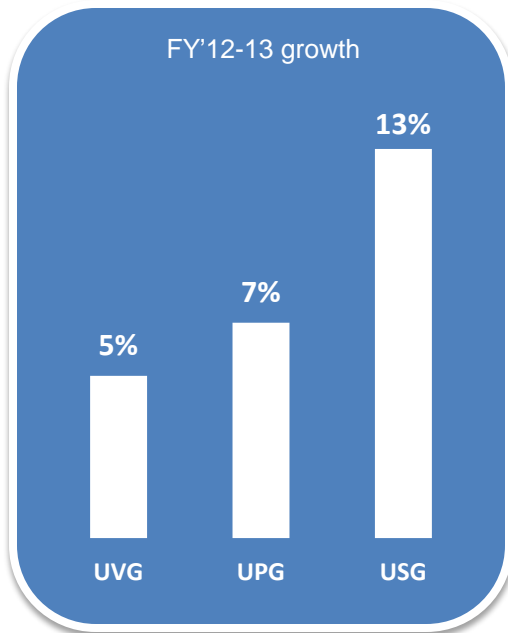
- 'Segments of future' * now >1000 Crs

→ Segmental profit up 11%

- Invested for growth; step up in brand support

Beverages

Stepped up growth



→ **Broad based growth across Tea and Coffee**

- Strong activation led growth in Tea driven by top end
- Coffee sustains momentum on back of strong core

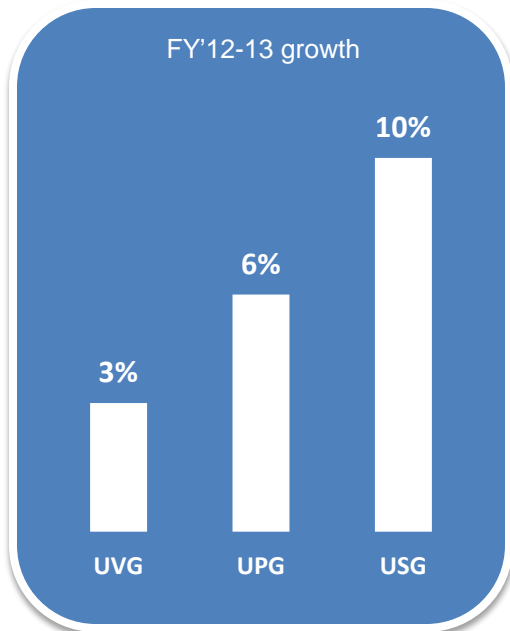
→ **Thrust on building new consumer segments**

- Teabags & Premium Coffee do well

→ **Segmental profit up 29% despite firm input costs**

Packaged Foods

Growth led by core



- **Kissan Ketchups - 3 years of double digit growth**
- **Performance in Knorr led by step up in Soups growth**
 - Soupy Noodles relaunched with a new mix
- **Double digit growth in Kquality Walls**
 - Led by a strong performance in first half
 - Impacted by market slowdown in latter half

Financial Year ending 31st March 2013: P&L Summary

Rs Cr

Particulars	FY'12	FY'13	Growth%
Net Sales	21,736	25,206	16
PBITDA	3,291	4,004	22
PBIT	3,073	3,768	23
PBIT margin (%)	14.1	14.9	80 bps
PAT bei	2,592	3,314	28
Net Profit	2,691	3797	41

- **Domestic Consumer: 16% USG, 7% UVG**
- **EBIT grows 23%, margin up +80 bps**
- **PAT (bei) up 28%**

Financial Year ending 31st March 2013: Cash Flow Summary

Rs Cr

Particulars	FY'12	FY'13
Operating profit before working capital changes	3,360	4,073
Net working capital movement	183	473
Taxes paid (net of refunds)	-657	-1,005
NET CASH FROM OPERATING ACTIVITIES - [A]	2,872	3,530
Purchase of tanglinble/intangible assets	-252	-406
Disposal of surplus properties	141	645
NET CASH FROM INVESTING ACTIVITIES - [B]	-452	34
Dividends paid	-1,509	-3,550
Dividend Distribution Tax	-245	-576
NET CASH FROM FINANCING ACTIVITIES - [C]	-1,725	-4,160
Net Increase/(decrease) in Cash and Cash equivalents - [A+B+C]	695	-597
Cash and Cash equivalents at the beginning of the year	228	923
Cash and Cash equivalents at the end of the year	923	326

Financial Year 2012-13 – Dividend

Particulars	FY'11-12	FY'12-13
Dividend Per Share	7.5	18.5
Interim	3.5	4.5
Special	-	8.0
Final	4.0	6.0
No. of Share (Crs.)	216	216
Total Dividend (Rs. Crs.)	1621	4000
Div. Dist. Tax (Rs. Crs.)	263	656
Total Div. Outflow (Rs. Crs.)	1884	4656

FY 2012-13 Summary

- **Another year of competitive and profitable growth**
 - Strong 16%* growth with UVG of 7% in a challenging environment
 - Double digit growth across all segments
 - PBIT up 23%; margins expand by +80 bps
 - PAT (bei) grows by 28%
- **Cash from operations up Rs. 1002 crores**
- **Total dividend of Rs. 18.50 per share**

Looking Ahead

- **Positive medium-long term outlook for FMCG**
- **HUL well positioned to deliver consistent, competitive, profitable and responsible growth**
- **Near term concerns**
 - Moderation in market growth rates and inflationary pressures on consumers
 - Particularly impacting discretionary categories

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